

This Management's Discussion and Analysis ("MD&A") provides a discussion and analysis of the financial condition and results of operations to a reader to assess material changes in the financial condition and results of operations as at and for the years ended December 31, 2010 and 2009. The MD&A is intended to supplement the consolidated financial statements and notes thereto ("Statements") of Metallum Resources Inc. ("Metallum" or the "Company") as at and for the years ended December 31, 2010 and 2009. Readers are encouraged to review the Statements in conjunction with this document.

Forward Looking Statements

Except for the historical statements contained herein, this Management's Discussion and Analysis presents "forward-looking statements" within the meaning of Canadian securities legislation that involve inherent risks and uncertainties. Forward-looking statements include, but are not limited to, statements with respect to the future price of gold and other minerals and metals, the estimation of mineral reserves and resources, the realization of mineral reserve estimates, the capital expenditures, costs and timing of the development of new deposits, success of exploration activities, permitting time lines, currency exchange rate fluctuations, requirements for additional capital, government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "proposed" "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved".

Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Metallum to be materially different from those expressed or implied by such forward-looking statements, including but not limited to: risks related to international operations, risks related to the integration of acquisitions; risks related to joint venture operations; actual results of current exploration activities; actual results of current or future reclamation activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of gold and other minerals and metals; possible variations in ore reserves, resources, grade or recovery rates; failure of equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; and delays in obtaining governmental approvals or financing or in the completion of development or construction activities. Although the management and officers of Metallum believe that the expectations reflected in such forward-looking statements are based upon reasonable assumptions and have attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. Metallum does not undertake to update any forward-looking statements that are incorporated by reference herein, except in accordance with applicable securities laws.

Description of Business

The Company holds an option to earn a 70% interest in a gold and silver property in the province of Chubut, Argentina. During fiscal 2008, the Company incorporated a wholly owned subsidiary, Metallum S.A., an entity registered in Mendoza, Argentina to hold its interest in, and to administer activity in the Company's Argentina property. The Company is currently in the process of reviewing other business opportunities as the Proposed Transactions have been terminated, as described on page 6.

On July 3, 2008, the Company changed its name from "Young-Shannon gold mines, Limited" to "Metallum Resources Inc.". Effective July 11, 2008, the Company's shares commenced trading on the TSX Venture Exchange as a Tier 2 Mining Issuer under the symbol "MRV".

Financial Highlights

The Company reported net income for the year ended December 31, 2010 of \$1,748,561 compared to a net loss of \$814,672 during the comparative year ended December 31, 2009. The positive variance of \$2,563,233 is primarily driven by a \$2,600,712 realized gain on disposition of its investment in Trelawney Resources Inc., with approximately half of its investment being sold in the first quarter and the residual holdings in the second quarter. This two tiered disposition has resulted in a net income position in each of the four quarters for the year. A \$337,283 increase in stock-based compensation is seen for the year ended December 31, 2010, reflective of the fair value ascribed to 2,700,000 incentive stock options granted to directors, officers, consultants and employees of the Company. This is contrasted with fiscal 2009 where only the recognition of residual vesting of option grants from prior years was seen. In addition, insurance costs have escalated over the comparable year, in keeping with rising industry premiums and the achievement of better coverage. Professional fees, more specifically the legal fee component, are attributable to the efforts of the Company to close the Proposed Transaction which was terminated in the fourth quarter of 2010. A decline of \$173,159 was experienced in this area, as the work on the Proposed Transaction wound down. Conference expenses have increased due to the Company's attendance at a national mining conference in Toronto. Lastly, the year ended December 31, 2009 saw a \$183,666 loss on disposition of the Company's Chester Property, the proceeds of which included 2,500,000 common shares of Trelawney Resources Inc. This 2009 transaction is largely responsible for liquidity the Company enjoys today.

The following tables set out financial performance highlights for the last eight quarters.

| | Fourth Quarter Dec. 31, 2010 | Third Quarter Sept. 30, 2010 | Second Quarter June 30, 2010 | First Quarter March. 31, 2010 |
|---|---------------------------------------|---------------------------------------|---------------------------------------|--|
| Revenue | | \$0 | \$0 | \$0 |
| Expenses | \$469,358 | \$91,815 | \$133,558 | \$159,359 |
| Interest income | \$618 | \$647 | \$390 | \$284 |
| Gain on sale of investments | \$0 | \$0 | \$1,299,473 | \$1,301,239 |
| Future income tax recovery | \$0 | \$0 | \$0 | \$0 |
| Net income (loss) | (\$468,740) | (\$91,168) | \$1,166,305 | \$1,142,164 |
| Net income (loss) per share -basic and diluted | \$(0.00) | \$(0.00) | \$0.02 | \$0.02 |
| Cash flows used in operating activities | (\$85,552) | (\$83,889) | (\$126,447) | (\$252,211) |
| Cash, end of period | \$5,573,650 | \$5,422,071 | \$5,520,922 | \$2,994,054 |
| Assets | \$5,980,397 | \$6,078,125 | \$6,179,028 | \$6,408,031 |
| Long-term (future tax) liabilities | \$0 | \$0 | \$0 | \$0 |
| | | | | |

| | Fourth Quarter Dec. 31, 2009 | Third Quarter Sept. 30, 2009 | Second Quarter June 30, 2009 | First Quarter March 31, 2009 |
|--|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| Revenue | \$0 | \$0 | \$0 | \$0 |
| Expenses | \$442,808 | \$109,902 | \$139,849 | \$131,206 |
| Interest income | \$4,674 | \$260 | \$574 | \$3,585 |
| Gain on sale of investments | \$0 | \$0 | \$0 | \$0 |
| Future income tax recovery | \$0 | \$0 | \$0 | \$0 |
| Net income (loss) | (\$438,134) | (\$109,642) | (\$139,275) | (\$127,621) |
| Net income (loss) per share - basic and diluted | \$(0.02) | \$(0.00) | \$(0.00) | \$(0.00) |
| Cash flows used in operating activities | \$(162,482) | \$(93,563) | \$(177,997) | \$(92,200) |
| Cash, end of period | \$469,297 | \$624,418 | \$726,014 | \$1,154,011 |
| Assets | \$3,992,199 | \$4,288,180 | \$4,386,590 | \$4,565,232 |
| Long-term (future tax) liabilities | \$0 | \$0 | \$0 | \$0 |
| | | | | |

Selected Annual Financial Information

The following selected annual financial data derived from the audited financial statements of the Company as at December 31, 2010, and 2009:

| | Year Ended December 31, 2010 | Year Ended December 31, 2009 |
|---|---------------------------------|---------------------------------|
| Net income (loss) | \$1,748,561 | (\$814,672) |
| Net income (loss) per share – basic and diluted | \$0.03 | (\$0.02) |
| | As At December 31, 2010 | As At December 31, 2009 |
| Total Assets | \$5,980,397 | \$3,992,199 |

The following chart reflects the breakdown of office and administration expense for the year ended December 31, 2010 and 2009:

| Administrative Expenses | Year Ended | |
|---------------------------|----------------------|----------------------|
| | December 31, 2010 | December 31, 2009 |
| Bank charges and interest | \$ 574 | \$ 578 |
| Delivery | 367 | 462 |
| Donations | 5,000 | - |
| Membership fees | 350 | 350 |
| Telephone and fax | 6,444 | 3,409 |
| Printing | 1,381 | 2,366 |
| Website maintenance | 274 | 285 |
| Miscellaneous | 2,804 | 787 |
| Totals | \$ 17,194 | \$ 8,237 |

On a comparative basis, administrative expenses have increased over the comparative year ended December 31, 2009. During the current year, the Company contributed \$5,000 to the Haiti earthquake relief effort. Telephone and fax increased as a result of optical internet installation in the current period, coupled with increased utilization associated with the administration of the Proposed Transaction. Lastly, miscellaneous has increased primarily due to corporate tax charge of \$1,754 related to the harmonization of Federal and Provincial taxation pools.

Liquidity and Capital Resources

The Company reported working capital as at December 31, 2010 of \$5,773,176 (December 31, 2009 – \$3,754,714) and cash and cash equivalent balances of \$5,573,650 (December 31, 2009 – \$469,297). Of the \$5,573,650 of cash and cash equivalents, on December 31, 2010, \$5,573,650 (December 31, 2009 - \$14,442) was held in cash and the residual \$nil (December 31, 2009 - \$454,855) was held in a guaranteed investment certificate. The Company does not hold investments with exposure to the sub-prime lending market, asset backed commercial paper, nor any derivative thereof.

The Company funds its exploration activities through equity financing and the sale of equities held for investment. The last equity financing occurred on December 10, 2007 by means of a non-brokered private placement consisting of 21,800,000 units at a price of \$0.10 per unit, yielding gross proceeds of \$2,180,000. On December 10, 2009, the 10,900,000 \$0.15 warrants accompanying this private placement expired without exercise.

During the year ended December 31, 2010 the Company sold its 5,000,000 common shares held in Trelawney Resources Inc., with a carrying value of \$2,850,000 for net proceeds of \$5,450,712, resulting in a realized gain of \$2,600,712. The Company intends to use these proceeds to fund its exploration programs as well as for general working capital purposes.

Additionally, the Company retains a 1% (one percent) net smelter return (NSR) royalty pertaining to the Chester Property sold to Trelawney Resources Inc., from production to be granted to the Company at such time as the price of gold exceeds USD \$1,000 per troy ounce.

Although the Company has sufficient capital resources to meet its immediate obligations, the Company will seek to raise additional funding to finance future exploration programs. The timing and ability to do so will depend on the liquidity of the financial markets as well as the acceptance of investors to finance resource based junior companies, in addition to the results of the Company's exploration programs and the acquisition of additional projects.

The Company has no credit facilities with financial institutions, accordingly its financial instruments consist of cash and cash equivalents, sundry receivables, convertible debenture receivable, and accounts payable and accrued liabilities. Unless otherwise noted, the Company does not expect to be exposed to significant interest, currency or credit risks arising from these financial instruments. The Company estimates that the fair value of cash and cash equivalents, sundry receivables, accounts payable and accrued liabilities approximate their carrying values because of their short term nature.

At this time, the Company is not anticipating an ongoing profit from operations, therefore it will rely on its ability to obtain equity or debt financing for growth. The Company may need additional capital, and may raise additional funds should its Board deem it advisable.

Off-Balance Sheet Arrangements

Metallum does not have any off-balance sheet arrangements that have, or are reasonably likely to have, an effect on the results of operations or financial condition of the Company.

Proposed Transactions

There is no imminent decision by the Board of Directors of the Company with respect to any transaction beyond what is contemplated below:

On February 27, 2009, the Company signed a Letter of Intent ("LOI"), as amended by agreement dated as of March 18, 2009 with Solfotara Mining Corporation ("Solfotara"), a private corporation incorporated under the laws of British Columbia, Canada with offices in Manila, Philippines and Vancouver, Canada for a reverse takeover ("RTO") of Metallum (herein the "Proposed Transaction"). The parties to the Proposed Transaction acted at arm's length. On November 6, 2009, Metallum and Solfotara signed a definitive agreement (the "Definitive Agreement") in relation to the Proposed Transaction.

To facilitate certain aspects of the Proposed Transaction, Metallum advanced to Solfotara, with the TSX Venture Exchange ("Exchange") approval, \$250,000 to fund a property option payment due by Solfotara in respect to its Basay Property in the form of a secured convertible debenture ("Debenture"). If the Proposed Transaction were to be completed, the principal amount of the Debenture plus accrued interest was to be convertible into common shares of Solfotara at an agreed price. If the Proposed Transaction was not completed, Solfotara was required, unless the reason for the default lies with Metallum, to repay the Debenture advances with interest. Under the terms of the LOI, Metallum made an additional secured Debenture advance, as approved by the Exchange, of \$250,000 (for a total of \$500,000).

On November 1, 2010, the Proposed Transaction was terminated following the withdrawal of conditional approval from the Exchange. As such, the distribution of the 7,029,334 shares of CDC to Metallum shareholders did not occur. Subsequent to the termination of the Proposed Transaction, the terms for repayment of the \$500,000 convertible debenture were re-negotiated in favour of a non-interest bearing loan receivable, repayable in two equal instalments, the first in November 2010 and the second in May 2011. In November 2010, first payment was received as scheduled, with the second and final instalment being received subsequent to December 31, 2010, prior to the May 2011 deadline.

Critical Accounting Estimates

The preparation of the Company's financial statements requires management to make certain estimates that affect the amounts reported in the financial statements. The accounting estimates considered to be significant include estimates of the recoverability of mineral interests and stock-based compensation.

The recoverability of the amounts shown for mining interests is dependent on the existence of economically recoverable reserves, the ability to obtain financing to complete the development of such reserves and meet its obligations under various agreements and the success of future operations or dispositions.

The Company uses a Black-Scholes model to determine the fair value of options and warrants. The main factor affecting the estimates of stock-based compensation is the stock price volatility used. The Company uses historical price data and comparables in the estimate of future volatilities.

Future Accounting Changes

International Financial Reporting Standards ["IFRS"]

In January 2006, the CICA's Accounting Standards Board ("AcSB") formally adopted the strategy of replacing Canadian GAAP with IFRS for Canadian enterprises with public accountability. On February 13, 2008 the AcSB confirmed that the use of IFRS will be required in 2011 for publicly accountable profit-oriented enterprises. For these entities, IFRS will be required for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company will be required to have prepared, in time for its first quarter of fiscal 2011 filing, comparative financial statements in accordance with IFRS for the three months ended March 31, 2011.

Capital Management

The Company manages its capital with the following objectives:

- (i) To ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- (ii) To maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by Management and the Board of Directors on an ongoing basis.

The Company considers its capital to be equity, comprising capital stock, stock options, contributed surplus, accumulated other comprehensive income and deficit which at December 31, 2010 totalled \$5,923,639 (December 31, 2009 - \$3,862,713).

The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is regularly updated based on activities related to its mineral properties. Selected information is frequently provided to the Board of Directors of the Company. The Company's capital management objectives, policies and processes have remained unchanged during the year ended December 31, 2010. The Company is not subject to any externally imposed capital requirements.

Property and Financial Risk Factors

(a) Property Risks

The Company's primary mineral property is the M-18 Property option. Unless the Company acquires or develops additional material properties, the Company will be dependent upon this property. If no additional mineral properties are acquired by the Company, any adverse development affecting this property would have a material adverse effect on the Company's financial condition and results of operations.

(b) Financial Risks

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk, market risk (including interest rate, foreign exchange rate, and commodity and equity price risk).

Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents and loan receivable. Cash and cash equivalents are held with a reputable Canadian chartered bank and a reputable national brokerage firm which are closely monitored by management. Loan receivable pertains to funds advanced under the terms of the Proposed Transaction. Management believes that the credit risk with respect to financial instruments included in cash and cash equivalents and loan receivable is remote. As at December 31, 2010, no receivables were past due or otherwise considered impaired.

Liquidity Risk

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations as they become due, or can only do so at excessive cost. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or as a result of conditions specific to the Company. As at December 31, 2010, the Company had a cash and cash equivalents balance of \$5,573,650 (December 31, 2009 - \$469,297) to settle current liabilities of \$56,758 (December 31, 2009 - \$129,486). The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity.

Most of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Market Risk

i) Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the creditworthiness of its banks. As a result, the Company's exposure to interest rate risk is remote.

ii) Foreign Currency Risk

Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the entity's functional currency. The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company funds certain operations, exploration and administrative expenses in Argentina on a cash call basis from the operator of the Argentina project using Canadian currency. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk. As a result, the Company's exposure to foreign currency risk is remote.

iii) Price Risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities.

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a twelve month period:

- (i) Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of development depends upon the world market price of precious and base metals. Precious and base metal prices have fluctuated widely in recent years. There is no assurance that, even if commercial quantities of precious and base metals may be produced in the future, a profitable market will exist for them.

As of December 31, 2010, the Company was not a precious or base metal producer. As a result, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

(c) Fair Value

The Company has designated, for accounting purposes, its cash and cash equivalents as held-for-trading, which are measured at fair value. Loan receivable is classified for accounting purposes as loans and receivables, which are measured at amortized cost which approximates fair market value due to their short-term nature. Accounts payable and accrued liabilities are classified for accounting purposes as other financial liabilities, which are measured at amortized cost which approximates fair market value due to its short-term nature.

Results of Operations: M-18 Property, Argentina

On June 4, 2007, the Company signed an Option and Joint Venture Agreement dated March 1, 2007 to earn a 70% interest in the M-18 gold and silver property in the province of Chubut in Argentina from Silver Standard Resources Inc. ("Silver Standard"). The M-18 Property comprises 6,300 hectares measuring nine kilometres east-west by seven kilometres north-south. In the first quarter of fiscal 2009, and again in the first quarter of 2011 the Company negotiated an amendment to the underlying agreement dated March 1, 2007, in favour of a new "Effective Date" of April 14, 2011.

On April 11, 2011, the Company renewed its surface access agreement with the landowners covering the mineral rights and is planning to commence an aggressive exploration campaign in mid 2011 which will include geochemistry, geophysics, and a program of diamond drilling, should exploration results warrant.

The Company is required to spend \$US 1,000,000 over four years on exploration on M-18 to earn its 70% interest. Exploration expenditures on each anniversary date of the effective date of the agreement will be \$US 250,000 by the first anniversary, \$US 500,000 by the second anniversary, \$US 750,000 by the third anniversary, and \$US 1,000,000 by the fourth anniversary. Likewise, cumulative option payments of \$US 125,000 for the property will occur as follows: \$US 15,000 on the first anniversary date, \$US 25,000 on the second anniversary date, \$35,000 on the third anniversary date, and \$50,000 on the fourth anniversary date.

If a NI 43-101 compliant resource estimate shows that the property is silver dominant, that is, greater than 50% of the value of the resource estimate, Silver Standard will have the option to back-in for a 51% interest in the property by incurring \$US 1,000,000 in exploration costs.

All proposed exploration on the property will be through a management committee comprised of equal representation of the Company and Silver Standard until the Company exercises its option. However, the Company will determine how exploration funds will be spent on the property. If the Company does exercise its option it will then have the majority vote regarding operations on the property unless Silver Standard exercises its back-in right, in which event Silver Standard shall be entitled to majority voting.

The qualified person, as required under National Instrument 43-101, for the Chester and M-18 projects is Greg Lipton, P.Geol., the Company's President and CEO. He is a practising member of the Association of Professional Geoscientists of Ontario (APGO).

Subsequent Events

Subsequent to December 31, 2010, the residual outstanding balance of the Solfotara loan receivable was received in full, in accordance with the terms of the underlying note. Accordingly, all security associated with this loan has been discharged.

Risks and Uncertainties

The Company's business of exploring for mineral resources involves a variety of operational, financial and regulatory risks that are typical in the natural resource industry. The Company attempts to mitigate these risks and minimize their effect on its financial performance, but there is no guarantee that the Company will be profitable in the future, and the Company's common shares should be considered speculative in nature.

The business of exploration for minerals and mining involves a high degree of risk. A relatively small proportion of properties that are explored are ultimately developed into producing mines. At present, there are no known bodies of commercial ore on any of the mineral properties in which the Company holds interest or intends to acquire an interest and the proposed exploration program is an exploratory search for ore. Unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, flooding, cave-ins, landslides and the inability to obtain suitable or adequate machinery, equipment or labour are other risks involved in the conduct of exploration programs. The Company has limited experience in the development and operation of mines and has relied on and may continue to rely upon consultants and others for exploration and operating expertise. The economics of developing gold and other mineral properties is affected by many factors including the cost of operations, variation of the grade of ore mined, and fluctuations in the price of any minerals produced.

The success of the Company is dependent, among other things, on obtaining sufficient funding to enable the Company to explore and develop its properties. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of its projects with the possible loss of such properties. The Company will require new capital to continue to operate its business and to continue with exploration on its mineral properties, and there is no assurance that capital will be available when needed, if at all. It is likely such additional capital will be raised through the issuance of additional equity, which will result in dilution to the Company's shareholders.

The operations of the Company may require licenses and permits from various local, provincial and federal governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development, or mining operations, at its projects.

Even if the Company's exploration programs are successful, factors beyond the control of the Company may affect the marketability of any mineral products discovered. The prices of mineral products have historically fluctuated widely and are affected by numerous factors beyond the Company's control, including international, economic and political trends, expectations for inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and worldwide production levels. The effect of these factors cannot accurately be predicted.

The mining industry is intensely competitive. The Company competes with many companies possessing greater financial resources and technical facilities than itself for the acquisition of mineral interests as well as for the recruitment and retention of qualified employees, contractors and consultants.

The Company's operations are subject to environmental regulations promulgated by local, provincial and federal government agencies from time to time. Environmental legislation provides for restrictions and prohibitions of spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailing disposal areas, which could result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require submissions to and approval of environmental impact assessments. Environmental legislation is evolving in a manner, which means stricter standards and enforcement, and fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. The Company intends to fully comply with all environmental regulations.

Certain directors or proposed directors of the Company are also directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest, which they may have in any project opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

The Company does not have a historical track record of operating upon which investors may rely. Consequently, investors will have to rely on the expertise of the Company's management. Further, the Company's properties are in the exploration stage and are not commercially viable at this time. The Company does not have a history of earnings or the provision of return on investment, and there is no assurance that it will produce revenue, operate profitably or provide a return on investment in the future.

Dependence on Key Employees

The Company's business and operations are dependent on retaining the services of a small number of key employees. The success of the Company is, and will continue to be, to a significant extent, dependent on the expertise and experience of these employees. The loss of one or more of these employees could have a materially adverse effect on the Company. The Company does not maintain insurance on any of its key employees.

Potential Dilution

The issue of common shares of the Company upon the exercise of the options and warrants will dilute the ownership interest of the Company's current shareholders. The Company may also issue additional option and warrants or additional common shares from time to time in the future. If it does so, the ownership interest of the Company's then current shareholders could also be diluted.

Current Global Financial Conditions

Securities of mining and mineral exploration companies, including the common shares of the Company, have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in Canada and globally, and market perceptions of the attractiveness of particular industries. The price of the securities of the Company is also significantly affected by short-term changes in commodity prices, base and precious metal prices or other mineral prices, currency exchange fluctuation and the political environment in the countries in which the Company does business.

IFRS Implementation Plan

The AcSB has confirmed that IFRS will replace current Canadian GAAP for publicly accountable enterprises, including the Company, effective for fiscal years beginning on or after January 1, 2011.

Accordingly, the Company will apply accounting policies consistent with IFRS beginning with its interim financial statements for the quarter ended March 31, 2011. The Company's 2011 interim and annual financial statements will include comparative 2010 financial statements, adjusted to reflect any changes in accounting policies resulting from the adoption of IFRS.

The Company's IFRS implementation team has completed its detailed analysis of the relevant IFRS requirements and identified the areas where accounting policy changes are required, and those for which accounting policy alternatives are available. The team has also completed its assessment of the first-time adoption requirements and alternatives.

During Q4 2010, the implementation team has been discussing the results of detailed analysis with advisors and management. These discussions will continue during Q1 2011, after which the Company will finalize its determination of changes to accounting policies under IFRS and the resulting impact on the opening IFRS balance sheet (as at January 1, 2010).

The table below summarizes the expected timing of activities related to the Company's transition to IFRS.

| | |
|---|--|
| Initial analysis of key areas for which changes to accounting policies may be required. | Completed |
| Detailed analysis of all relevant IFRS requirements and identification of areas requiring accounting policy changes or those with accounting policy alternatives. | Completed |
| Assessment of first-time adoption (IFRS 1) requirements and alternatives. | Completed |
| Final determination of changes to accounting policies and choices to be made with respect to first-time adoption alternatives | In progress, to be completed prior to Q1 2011 filing. |
| Resolution of the accounting policy change implications on information technology, internal controls and contractual arrangements | In progress, to be completed prior to Q1 2011 filing. |
| Management and employee education and training | Throughout the transition process |
| Quantification of the Financial Statement impact of changes in accounting policies | The Company has not yet determined the quantification of the impact of changes in accounting policies on its opening IFRS balance sheet. To be completed prior to Q1 2011 filing. |

Impact of Adopting IFRS on the Company's Business

As part of its analysis of potential changes to significant accounting policies, the Company has been assessing what changes may be required to its accounting systems and business processes. The Company believes that the changes identified to date are minimal and the systems and processes can accommodate the necessary changes.

To date, the Company has not identified any contractual arrangements that may be affected by potential changes to significant accounting policies.

The Company's staff and advisers involved in the preparation of the financial statements are being trained on the relevant aspects of IFRS and the anticipated changes to accounting policies. Employees of the Company who will be affected by a change to business processes as a result of the conversion to IFRS will also be trained as necessary.

The Board of Directors and the Audit Committee have been regularly updated on the progress of the IFRS conversion plan and made aware of the evaluation of the key aspects of IFRS affecting the Company.

First-time Adoption of IFRS

The adoption of IFRS requires the application of IFRS 1 First-time Adoption of International Financial Reporting Standards ("IFRS 1"), which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires retrospective application of IFRS, effective at the end of its first annual IFRS reporting period. However, IFRS 1 also provides certain optional exemptions and mandatory exceptions to this retrospective treatment.

The Company has identified the following optional exemptions that it expects to apply in its preparation of an opening IFRS statement of financial position as at January 1, 2010, the Company's transition date:

- To apply IFRS 2 Share-based Payments only to equity instruments issued after November 7, 2002, and that had not vested by the transition date.
- To apply IFRS 3 Business Combinations prospectively from the transition date, therefore not restating business combinations that took place prior to the transition date.
- To apply the transition provisions of IFRIC 4 Determining whether an Arrangement Contains a Lease, therefore determining if arrangements existing at the transition date contain a lease based on the circumstances existing at that date.
- To apply IAS 23 Borrowing Costs prospectively from the transition date. IAS 23 requires the capitalization of borrowing costs directly attributable to the acquisition, production or construction of certain assets.

The final determination of which optional exemptions to apply will not be finalized until the preparation of the 2011 annual consolidated financial statements. As a result, the effect of adopting IFRS on the consolidated balance sheet at January 1, 2010 could change significantly.

IFRS 1 does not permit changes to estimates that have been made previously. Accordingly, estimates used in the preparation of the Company's opening IFRS statement of financial position as at the Transition Date will be consistent with those made under Canadian GAAP. If necessary, estimates will be adjusted to reflect any difference in accounting policy.

Impact of Adopting IFRS on the Company's Financial Statements

The adoption of IFRS is expected to result in changes to significant accounting policies and have an impact on the recognition and measurement of transactions and balances within the Company's financial statements.

The Company has not yet determined the full effects of adopting IFRS on its financial statements. Included below are highlights of the areas that are expected to result in a change to significant accounting policies. The list is not intended to be complete list of areas where the adoption of IFRS will require a change in accounting policies, but to highlight the areas identified to have the most potential for significant changes.

1) Exploration and Evaluation Expenditures

Subject to certain conditions, IFRS currently allows an entity to determine an accounting policy that specifies the treatment costs related to the exploration for and evaluation of mineral properties.

The Company does not expect any changes to its accounting policies related to exploration and evaluation expenditures that would result in a significant change to line items within its financial statements.

2) Impairment of (Non-financial) Assets

IFRS requires a write down of assets if the higher of the fair market value and the value in use of the group of assets is less than its carrying value. Value in use is determined using discounted estimated future cash flows. Current Canadian GAAP requires a write down to estimated fair value only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value.

The Company's accounting policies related to impairment of non-financial assets will be changed to reflect these differences. However, the Company does not expect that this change will have an immediate impact on the carrying value of its assets. The Company will perform impairment assessments in accordance with IFRS at the Transition Date.

3) Share-based Payments

In certain circumstances, IFRS requires a different measurement of stock-based compensation related to stock options than current Canadian GAAP.

The Company does not expect any changes to its accounting policies related to share-based payments that would result in a significant change in line items within its financial statements.

4) Asset Retirement Obligations (Decommissioning Liabilities)

IFRS requires the recognition of a decommissioning liability for legal or constructive obligations, while current Canadian GAAP only requires the recognition of such liabilities for legal obligations. A constructive obligation exists when an entity has created reasonable expectations that it will take certain actions.

The Corporation's accounting policies related to decommissioning liabilities will be changed to reflect these differences. However, the Corporation does not expect this change will have an immediate impact on the carrying value of its assets.

5) Property and Equipment

IFRS contains different guidance related to recognition and measurement of property and equipment than current Canadian GAAP.

The Company does not expect any changes to its accounting policies related to property and equipment that would result in a significant change to line items within its financial statements.

6) Income Taxes

In certain circumstances, IFRS contains different requirements related to recognition and measurement of future (deferred) income taxes.

The Company does not expect any changes to its accounting policies related to future (deferred) income taxes that would result in a significant change to line items within its financial statements.

Subsequent Disclosures

Further disclosures of the IFRS transition process are expected as follows:

- The Company's first financial statements prepared in accordance with IFRS will be the interim financial statements for the three months ending March 31, 2011, which will include notes disclosing transitional information and disclosure of new accounting policies under IFRS. The interim financial statements for the three months ending March 31, 2011, will also include 2010 financial statements for the comparative period, adjusted to comply with IFRS, and the Company's transition date IFRS statement of financial position at January 1, 2010.

Additional Disclosure for Venture Issuers without Significant Revenue

The balance of Mineral Property Acquisitions and Deferred Mineral Property Expenditures increased marginally to \$134,461 on December 31, 2010 (December 31, 2009 - \$102,411).

Management's Responsibility for Financial Information

The Company's consolidated financial statements are the responsibility of the Company's management, and have been approved by the Board of Directors. The consolidated financial statements were prepared by the Company's management in accordance with Canadian generally accepted accounting principles. The consolidated financial statements include certain amounts based on the use of estimates and assumptions. Management has established these amounts in a reasonable manner, in order to ensure that the consolidated financial statements are presented fairly in all material respects.

Disclosure and Internal Financial Controls

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that:

- (i) the unaudited interim consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the years presented by the unaudited interim consolidated financial statements; and
- (ii) the unaudited interim consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the unaudited interim consolidated financial statements.

In contrast to the certificate required under Multilateral Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings (MI 52-109), the Company utilizes the Venture Issuer Basic Certificate which does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in MI 52-109. In particular, the certifying officers filing the Certificate are not making any representations relating to the establishment and maintenance of:

- (i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- (ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in MI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Disclosure of Outstanding Share Data

Metallum shares trade on the TSX Venture Exchange under the symbol "MRV". The Company is authorized to issue an unlimited number of common shares without par value. On April 26, 2011, there were 53,803,828 common shares issued and outstanding, 4,275,000 stock options outstanding with a weighted average exercise price of \$0.13 expiring between 2012 and 2015.

Additional Information

Additional information relating to the Company is available on the SEDAR website www.sedar.com, or on the Company's corporate website www.metallumresourcesinc.com.